

## Message Text

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ACTION EUR-12

INFO OCT-01 EA-06 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

EB-07 FRB-03 INR-07 IO-10 NEA-09 NSAE-00 OPIC-03

SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01 /073 W

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R 051650Z MAY 75

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INFO AMEMBASSY BONN

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AMEMBASSY LONDON

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PASS CEA FOR CHISWICK AND VON FURSTENBURG; FRB FOR JUNZ:

TREASURY; LABOR FOR KUTCHER

E.O.11652: N/A

TAGS: ECON, OECD

SUBJECT: EPC'S WORKING PARTY 2, APRIL 21-22

REFS: (A) STATE 86468

(B) STATE 75396

(C) USOECD 9993

(D) USOECD 8953

(E) OECD DOCUMENTS CPE/WP2(75)1, 2 AND 3

1. SUMMARY: EPC'S WORKING PARTY 2 DISCUSSED PAPERS ON  
INCOME MAINTENANCE AND EDUCATION, AND CONSIDERED SECRE-  
TARIAT PROPOSAL FOR STUDY OF MEDIUM-TERM GROWTH PROS-  
PECTS. U.S. PROPOSAL FOR EARLY EXAMINATION OF GROWTH  
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PROSPECTS TO 1980 WAS ACCEPTED BY COMMITTEE, AND SECRE-

TARIAT WILL MAKE INTERIM REPORT BY DECEMBER 1975 AND FINAL REPORT BY MAY 1976. SECRETARIAT WILL THEN CARRY OUT PROJECTIONS TO 1985, AIMING FOR COMPLETION OF LONG-TERM STUDY BY 1977. MEANWHILE, PUBLIC EXPENDITURE STUDY WILL CONTINUE, WITH FINAL VERSION OF EDUCATION PAPER, NEAR-FINAL VERSION OF INCOME MAINTENANCE PAPER, AND INTERIM REPORT ON HEALTH TO BE READY FOR NEXT MEETING ON OCTOBER 16-17, 1975. MAIN PROBLEM FOR SECRETARIAT WILL BE TO FIND SUFFICIENT RESOURCES TO CARRY OUT BOTH STUDIES WITHIN DEADLINES DESIRED BY WP-2. COMMITTEE MEMBERS INDICATED THEY WOULD REPORT TO THEIR GOVERNMENTS ON SECRETARIAT VIEW THAT ADDITIONAL RESOURCES WOULD BE NECESSARY TO CARRY OUT DESIRED PROGRAM. END SUMMARY.

2. LONG-TERM GROWTH STUDY: U.S. DEL PUT FORWARD PROPOSAL (REF A) FOR EARLY SECRETARIAT REPORT ON GROWTH PROSPECTS TO 1980 AND WAS IMMEDIATELY SUPPORTED BY CANADA AND GERMANY, AS PER PRE-ARRANGEMENT. MOST OTHER DELS AGREED WITH U.S. EMPHASIS ON NEED FOR GROWTH PROJECTIONS TO 1980, ALTHOUGH JAPAN AND FRANCE MADE CLEAR THEIR DESIRE TO SEE SECRETARIAT CARRY OUT FULL STUDY OF GROWTH PROSPECTS TO 1985. GERMANS, AUSTRIANS AND OTHERS STRESSED NEED FOR MEDIUM-TERM STUDY TO BE PROBLEM ORIENTED, SO THAT GOVERNMENTS COULD OBTAIN GUIDANCE IN MAKING DIFFICULT POLICY CHOICES VIS-A-VIS INFLATION AND UNEMPLOYMENT. U.K. AND SEVERAL OTHERS EXPRESSED DESIRE TO HAVE CONSISTENT OECD-AREA TRADE PROJECTIONS AS PART OF DEMAND SIDE OF ANALYSIS, WHILE OTHERS EMPHASIZED NEED FOR STUDY OF INVESTMENT REQUIREMENTS (E.G. ENERGY AND POLLUTION CONTROL) AND PROSPECTS FOR FINANCING THEM. GENERAL CONSENSUS WAS THAT SECRETARIAT SHOULD EXAMINE DEMAND/SUPPLY INTERACTIONS TAKING ACCOUNT OF EFFECTS ON POTENTIAL GROWTH OF INFLATION, WORLD TRADE PROSPECTS, CHANGES IN RELATIVE PRICES (ESPECIALLY ENERGY), AND IMPACT OF CURRENT PROLONGED ECONOMIC SLOWDOWN.

3. SECRETARIAT (MARRIS) AGREED THAT IT WOULD BE POSSIBLE TO DO FAIRLY RAPID COMPILATION AND ANALYSIS OF INDIVIDUAL COUNTRY FORECASTS UP TO 1980, AND PROVIDE AN INTERIM REPORT BY DECEMBER 1975 AND A FINAL REPORT BY LIMITED OFFICIAL USE

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MAY 1976. THIS WOULD ASSUME THAT COUNTRIES CAN PROVIDE NECESSARY DATA BY LATE SUMMER, WHICH ALMOST ALL DELEGATES INDICATED THEY COULD DO (EXCEPT JAPAN, U.K. AND SWEDEN, WHO WOULD AIM FOR END OF YEAR). MARRIS NOTED HIS DISAPPOINTMENT THAT COUNTRIES HAD NOT BEEN FORTHCOMING WITH CONTRIBUTIONS TO RECENT ENERGY PAPER, AND HOPED THEY WOULD BE ABLE TO PROVIDE MEDIUM-TERM GROWTH PROJECTIONS QUICKLY. HE ALSO WARNED THAT STAFF SHORTAGES

WOULD HAVE TO BE RELIEVED IF WP-2 WANTED SECRETARIAT TO  
DO URGENT STUDY OF GROWTH PROSPECTS AS WELL AS CONTINUE  
ITS WORK ON PUBLIC EXPENDITURE. HE WENT TO EXTENT OF  
TOUR DE TABLE TO CONFIRM WILLINGNESS OF DELS TO  
RECOMMEND TO THEIR GOVERNMENTS THAT ADDITIONAL RESOURCES  
BE PROVIDED. MARRIS WILL THEREFORE OUTLINE WP-2 WORK  
PROGRAM AND STAFF NEEDS FOR NEXT BUDGET SUBMISSION.

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U.S. DEL AGREED THAT ADDITIONAL RESOURCES MIGHT BE  
NECESSARY, BUT SUGGESTED THEY BE OBTAINED BY TRANSFER  
FROM WITHIN SECRETARIAT.

4. PUBLIC EXPENDITURE STUDIES: SECRETARIAT REITERATED  
ITS COMMITMENT TO FINISHING PUBLIC EXPENDITURE STUDY BY

END OF 1976, BUT WILL NOT BE SO AMBITIOUS ABOUT COLLECTING DATA ON CONSISTENT CROSS-COUNTRY BASIS (AS ATTEMPTED BY QUESTIONNAIRE ON CLASSIFICATION OF PUBLIC EXPENDITURE). FINAL EDUCATION PAPER, NEAR-FINAL INCOME MAINTENANCE PAPER AND PRELIMINARY HEALTH PAPER WILL BE DISCUSSED BY WP-2 AT NEXT MEETING IN OCTOBER. THIS LEAVES HOUSING AND ECONOMIC INFRASTRUCTURE BEFORE A FINAL PAPER SUMMING UP PUBLIC EXPENDITURE STUDY IS COMPLETED BY END 1976. SEVERAL COUNTRIES SPECIFICALLY LIMITED OFFICIAL USE

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SUPPORTED CONTINUATION OF P.E. STUDY AND EMPHASIZED THEIR DESIRE THAT IT NOT BE SACRIFICED TO PROPOSED LONG-TERM GROWTH STUDY. HOWEVER, OTHERS QUESTIONED USEFULNESS OF OVERALL STUDY IN VIEW OF EXTENDED TIME-FRAME, WHICH WOULD MAKE EARLIEST PAPERS OUT OF DATE BY TIME FULL STUDY IS CONCLUDED. CANADIANS, IN EFFORT TO EXPEDITE INCOME MAINTENANCE STUDY, PROPOSED THAT AD HOC WORKING GROUP BE ESTABLISHED, AND U.S. DEL (CHISWICK) AGREED TO PARTICIPATE. (DETAILS OF DISCUSSION ON INCOME MAINTENANCE AND EDUCATION IN SEPTEL.)

5. NEXT MEETING OF WP-2 WILL TAKE PLACE OCTOBER 16-17, 1975, AT WHICH TIME EDUCATION, INCOME MAINTENANCE AND HEALTH PAPERS WILL BE DISCUSSED. SECRETARIAT WILL GIVE PROGRESS REPORT ON MEDIUM-TERM GROWTH STUDY AND WILL PREPARE PRELIMINARY CONCLUSIONS FOR DISCUSSION AT A SECOND WP-2 MEETING IN DECEMBER.  
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